

General Information Letter: Duty to withhold on golf tournament prizes.

March 17, 1998

Dear:

This is in response to your letter dated February 25, 1998 in which you request a letter ruling. Department regulations require that the Department issue only two types of letter rulings, Private Letter Rulings (**PLRs**) and General Information Letters (**GILs**). For your general information, we have enclosed a copy of 2 *Ill. Adm. Code Part 1200* regarding rulings and other information issued by the Department.

Although you have not specifically requested either type of ruling, the nature of your question and the information provided require that we respond only with a GIL. GILs are designed to provide background information on specific topics, however, GIL's are not rulings that are binding on the Department.

In your letter, you inquire as follows:

The xxxxxx xxxxxx xxxx xxxxxxxxxxxxxx, an IRC 501(c)(3) organization, is conducting the 1999 xxxxx's xxxx in the State of Illinois during June of 1999.

Prize monies totalling over \$1.5 million will be paid to the nearly 160 participants. The xxxx reports to the IRS all prize monies paid using Form 1099 MISC. The IRS does not require the xxxx to withhold taxes on the prize monies paid.

Please advise, at your earliest convenience, as to whether the State of Illinois requires tax withholding.

In a situation exhibiting facts such as those briefly described in your correspondence, it appears that withholding of Illinois income tax would not be required. Following is a general statement of Illinois law regarding such withholding.

Each employer maintaining an office or transacting business within this State and required under the provisions of 26 U.S.C. 3401 through 3404 to withhold and pay federal income tax on compensation paid in this State to an individual must withhold Illinois income tax. *Illinois Income Tax Act [IITA] Section 701 (35 ILCS 5/701)*. To determine whether income paid to individuals should be characterized as compensation paid in this State, please refer to enclosed *IIT Regulations Sections 100.7000 and 100.7010 (86 Ill. Adm. Code 100.7000 and 100.7010)*.

We also enclose herewith an *IL-700 Booklet (Illinois Withholding Tax Guide and Tables)* which summarizes and describes filing requirements, procedures, and forms required of employers. On pages 6 and 7 you will find detailed information in regard to the filing of *Forms W-2*, magnetic filing, and other required forms

relating to the withholding of Illinois income tax. Page 9 of this Booklet contains copies and *Forms IL-501, IL-941, and IL-W- 3*, and describes attachments and remittances required.

In general, other than the forms required described in the *Form IL-700 Booklet* enclosed), Illinois has no informational reporting requirements other than for certain payments of rents and royalties, certain payments for personal service contracts, and certain payments for prizes and awards.

Illinois Income Tax Act (IITA) 1405.1, copy enclosed, requires informational reporting by certain persons maintaining an office or transacting business in Illinois who makes payments of \$1,000 or more for rents and royalties for real property located in Illinois. Such payments are properly reported on *Form IL-1096*, copy enclosed.

IITA 1405.2, copy enclosed, requires informational reporting for payments under certain personal service contracts.

IITA 1405.3, copy enclosed requires informational reporting for certain payments for prizes and awards. Both of these types of payments are reported on *Form IL-1096-P*, copy enclosed.

Illinois requires that certain *U.S. Forms 1099* be attached to *Forms IL-1096* and *IL-1096-P*.

Very truly yours,

Jackson E. Donley
Associate Counsel